FEATURES | FEATURE

Can GST rationalisation boost India’s food industry?

Crippled with adulteration, nutrient deficiencies etc., the food and the allied industry have been shouting out loud for more reforms from the Union Minister on lines with GST rationalisation, allocating more funds for technological upgradations, more ski

By **Sanjiv Das** | January 5, 2026



budget

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Crippled with adulteration, nutrient deficiencies etc., the food and the allied industry have been shouting out loud for more reforms from the Union Minister on lines with GST rationalisation, allocating more funds for technological upgradations, more skilled manpower etc. will likely serve as a catalyst for modernisation, competitiveness, and inclusive sectoral growth. It needs to be seen how the Union Budget 2026-27 comes to the aid of the food industry with its industry-friendly budget. Experts chip in to share their thoughts on their expectations from the Budget scheduled on February 1, 2026, is expected to allocate significant funds to the food processing and allied sectors, emphasising value addition, infrastructure.

At a time when the food industry is embroiled in various issues related to food safety and adulteration, as well as challenges in adopting cost-effective technologies, the Budget 2026-27, scheduled for February 1, 2026, is creating high hopes among the various stakeholders of the industry.

The GST burden is being termed as a hurdle by many for the sector’s growth. Budget 2025-26 allocated Rs 2,11,406 crore to the Department of Food and Public Distribution, with 96 per cent (approximately Rs 2,03,000 crore) dedicated to food subsidies for procurement, storage, and distribution under the National Food Security Act (NFSA).

As the Indian food industry moves into the 2026 Budget cycle, stakeholders across food processing, packaged foods, beverages, cold-chain, and nutraceuticals anticipate a policy framework that fuels growth, improves supply-chain resilience, and supports global competitiveness.industry experts.

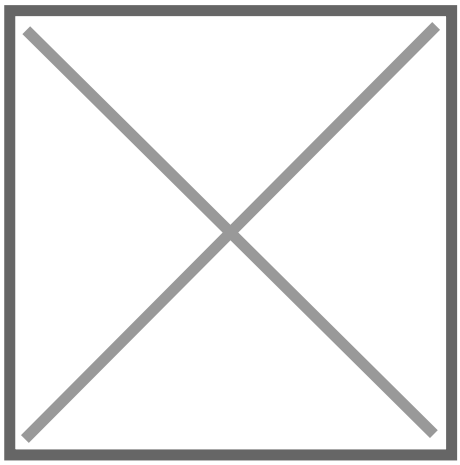
Let’s delve deep on what are the expectations for the food and its allied sector with regards to Budget 2026-27.

Better policy approach for nuts and dry fruits

India consumes over 11–12 lakh tonnes of nuts and dry fruits annually, and with demand rising across both urban and rural markets, affordability and supply stability are critical factors. The sector is asking for government support in modern storage, moisture-controlled warehousing,

scientific grading and cold-chain logistics.

The nuts and dry fruits sector hopes for a policy approach that recognises nuts and dry fruits not as luxury items, but as nutritional essentials that should be part of every Indian household’s daily diet.

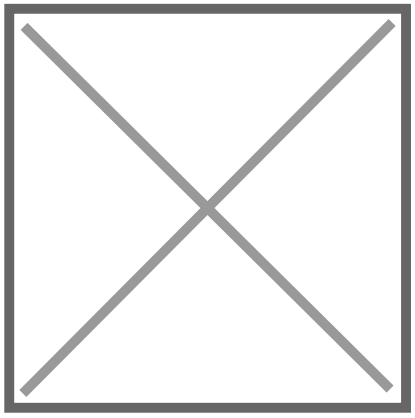


Col Nitin Sehgal, VSM (Retd), CEO, Nuts and Dry Fruits Council (India) mentions, “While the reduction of GST on raw nuts and dry fruits to 5 per cent (effective from September 22, 2025) is a welcome step toward improving affordability, the larger barrier to true accessibility lies in the existing import duty framework. With duties ranging from 30 per cent to 100 per cent across various products and origins, the current structure significantly inflates retail prices. Given India’s substantial dependence on imports for almonds, walnuts, pistachios, macadamia, and other premium nuts, these high duties make nutritious products unaffordable for the average consumer seeking healthier dietary options. A more calibrated, stable, and predictable import duty regime — particularly for in-shell primary nuts — would not only help moderate prices but also promote wider consumption and public health benefits.”

Sustained financial and policy support

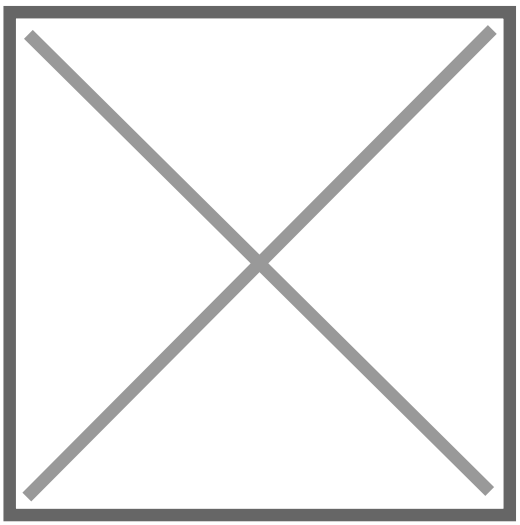
The poultry sector has become a crucial part of the agricultural landscape, playing a critical role in the Indian economy, job creation and food security. Indian poultry industry in 2025-26 has grown at a steady pace with robust demand. India ranks as the second-largest egg producer and the fifth-largest broiler meat producer globally. The size of the poultry industry reached a market size of over $30.46 billion and is projected to grow at a compound annual growth rate

(CAGR) of 8.10 per cent over the next decade. This growth has been given a boost by factors such as rising protein demand, urbanisation and increased consumption of poultry products.



Says, **Ricky Thaper, Joint Secretary, Poultry Federation of India**, “There should be support provided by the government to ensure that feed at reasonable prices is available throughout the year and the government must formulate long term strategy keeping into consideration rising demand of poultry products on feed supplies. Especially the poultry industry expects measures boosting supplies of corn and soybean meal, the key ingredients in the poultry feed. While the government must initiate steps to increase production, import liberalisation should be given thrust so that the cost of production of the poultry sector remains stable. As done a few years back for soybean meal, the government must allow import of genetically modified (GM) soybean meal and corn so that the poultry industry is assured of raw material supplies for the feed in a cost effective and sustainable manner.”

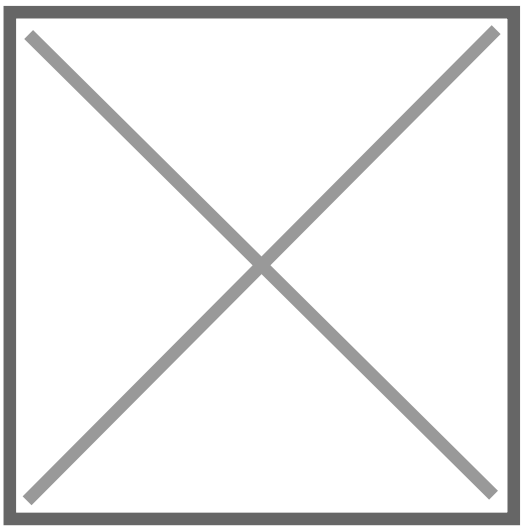
Pivoting towards nutrition security



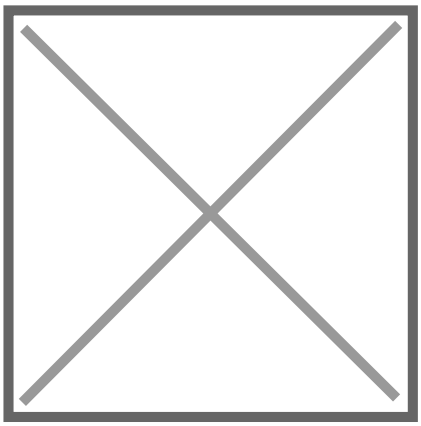
Bhuvaneswari Balasubramanian, India Country Director, Global Alliance for Improved Nutrition (GAIN) mentions, “A strategic shift toward nutrition security in the upcoming 2026 fiscal cycle could be a game changer in many ways. While India has achieved self-sufficiency and become a global food exporter, the focus must now move from filling stomachs to nourishing bodies. For flagship schemes such as POSHAN 2.0, the 2023 National Food Security Act (NFSA) set clear benchmarks for calories, proteins, and micronutrients in Take-Home Rations (THR). These standards are yet to be implemented on-ground and await an increase in per-beneficiary budget allocations to become a reality. India, although a global food exporter, must also tackle food loss estimated at $18 billion annually.”

Stronger incentives for the nutraceutical sector

India is seeing a huge usage of herbal extracts, phytochemicals, and nutraceutical formulations filled by health awareness, ageing population and integration of traditional Ayurveda with modern biotech. During Budget 2025-26, a strong emphasis was laid on the nutraceutical industry, supporting local production, research, and innovation in functional foods and dietary supplements.



Amit Srivastava, Founder and Chief Catalyst, Nutrify Today says, “The upcoming Budget 2026 needs to finally settle the regulations and give the nutraceuticals sector the clarity it desperately needs. Fiscal support — such as tax benefits or export-linked incentives — will encourage innovation and help scale home-grown nutraceutical products worldwide. Support for clinical research and evidence-based nutrition will raise consumer trust and global credibility. With the right policy thrust, Budget 2026 can catalyse India’s transition from a largely import-dependent industry to a globally competitive nutraceutical powerhouse — generating jobs, improving public health outcomes, and reinforcing India’s place on the world’s preventive-health map.”

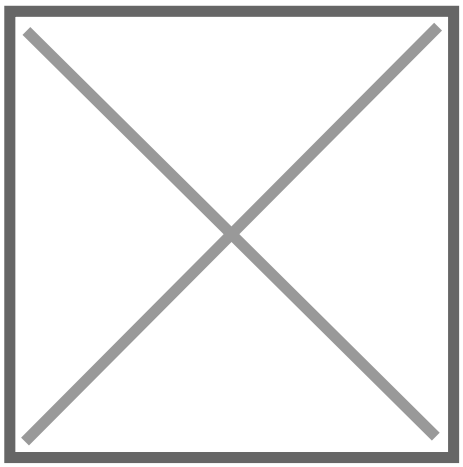


Talking about his expectation for Budget 2026-27, **Karthik Kondepudi, Head of Business Development, Herbochem**, says, “My expectations centre on three pivotal themes: manufacturing strength, innovation, and sustainability. Streamlined GST processes, faster

export clearances, and improved working-capital access would allow small and mid-sized companies to expand with confidence. Fiscal incentives for clean manufacturing, renewable energy adoption, and circular-economy models will not only reduce our environmental footprint but also attract international buyers who increasingly prioritise responsible sourcing.”

Streamlined regulatory processes

Key priorities in the food sector includes expansion of food-processing infrastructure, including cold storage, logistics hubs, and mega food parks, reduction of post-harvest losses through integrated cold-chain and warehousing solutions, support for MSMEs to modernise operations and scale production. Adopting newer technologies in the manufacturing process will enhance the sector to newer heights.

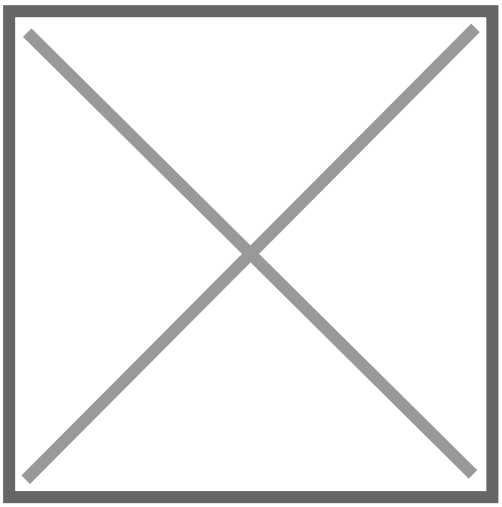


Dr Milind Antani, Head, Pharmaceutical and Life Sciences Practice, Nishith Desai Associates opines, “The food industry looks towards Budget 2026 with the expectation that it will serve as a catalyst for modernisation, competitiveness, and inclusive sectoral growth. By prioritising infrastructure development, easing tax burdens, and promoting innovation across emerging food categories, the government has the opportunity to significantly strengthen domestic value chains and enhance India’s role in global food markets.”

Incentives for food ingredients market

The India food ingredients market reached $1.15 billion in 2024 and is projected to hit $1.93 billion by 2032, growing at a CAGR of 6.7 per cent. The industry that relies on botanical actives

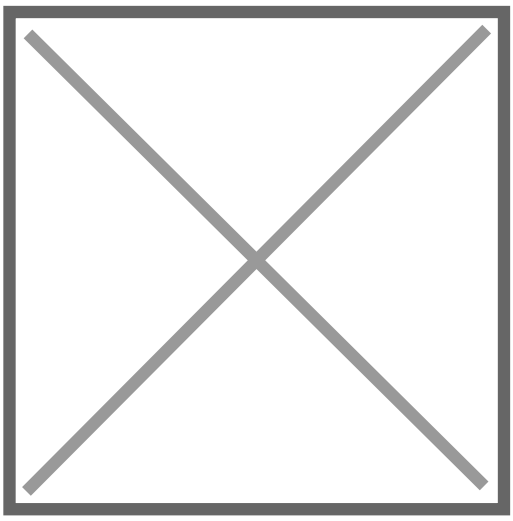
has its fingers crossed that the Budget 2026 will bring in regulations that guarantee ingredient quality, essentially ensuring a transparent supply chain.



Says, **Shafiulla Nuruddin Hirehal, Director, Greenspace Herbs**, “New regulations will bring in guaranteed ingredient quality, essentially ensuring a transparent supply chain. Incentives for farmers will help to improve the medicinal raw materials. Clearer frameworks for botanical extracts, standardisation, and clean-label formulations would help manufacturers innovate with confidence. Overall, the sector hopes the Budget will reinforce reliability, transparency and scientific rigor across India’s botanical ecosystem.”

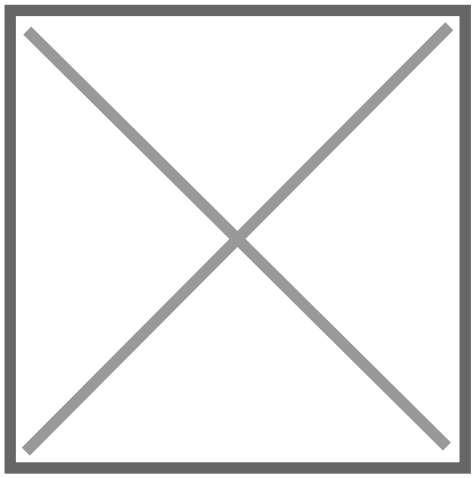
Innovation-led growth

Leading institutions in food technology have been playing a key role in enhancing the sector's growth. With the Finance Minister announcing the National Institute of Food Technology, Entrepreneurship, and Management in Bihar in the last Budget, there are high hopes from the academics that similar announcements of setting up more institutes will help the food tech sector at large.



Dr Sawinder Kaur, Associate Dean, Department of Food Technology and Nutrition, School of Agriculture, Lovely Professional University (LPU) in Punjab says, “There is strong anticipation that the upcoming budget will prioritise innovation-led growth and infrastructure strengthening. From a technology standpoint, higher allocations for R&D, testing laboratories, food safety compliance, and skill development are critical. Special emphasis is needed on encouraging adoption of automation, precision processing, clean-label formulations, and sustainable packaging alternatives, enabling manufacturers to meet both regulatory expectations and emerging global standards. Additionally, industry stakeholders are looking for rationalisation of GST on essential food ingredients and processing equipment, along with credit-linked incentives and simplified access to capital for micro and small processors.”

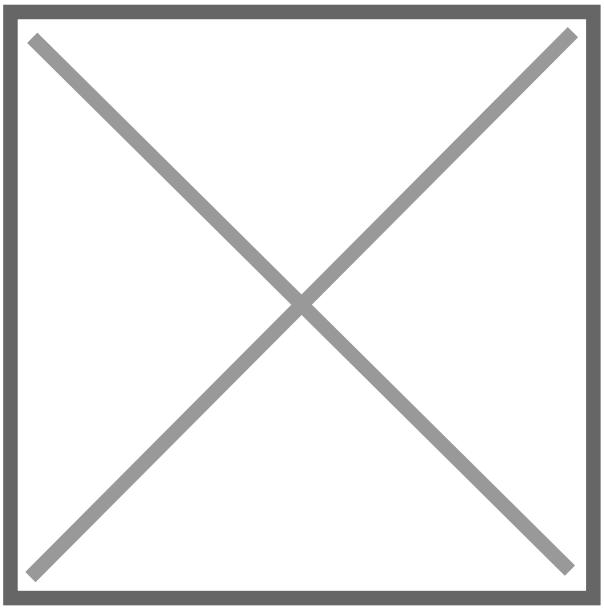
Shift from food security to nutrition security



The Union Budget 2026 needs to aim for a shift from food security to nutrition security while supporting the food sector's resilience and competitiveness. Adding to the lines, **Dr Yashawant Kumar, Founder and CEO, Benefic Nutrition** emphasises on a three-fold focus on the same. Dr Kumar says, “First the focus needs to be on enhancing the infrastructure and value addition. The government should extend the PLI scheme to the traditional, nutritious food categories. Secondly, simplifying the GST framework. And the third focus should be to incentivise sustainable initiatives. Finally, there is a need to allocate more funds to the National Mission for Food Processing and fast-tracking of the PMKSY scheme.

A single-window clearance system

With organised QSR brands increasingly expanding into Tier II and Tier III markets, targeted incentives or capex-linked support can help accelerate growth in high-potential cities



Aayush Madhusudan Agrawal, Founder and Director, Lenexis Foodworks, says “As we look ahead to the upcoming Union Budget, rationalisation of GST on commercial rentals would meaningfully ease cost pressures for the restaurant and QSR sector, particularly as input tax credit is not available to the industry. Introducing a single-window clearance system across food safety, environment, labour and taxation can significantly improve ease of doing business by reducing compliance complexity and delays. Given the sector’s strong contribution to youth employment, Budget policies that recognise job creation and support skill development and

workforce expansion would further strengthen the industry’s long-term economic impact.”



Haresh Karamchandani, Managing Director and Group CEO, HyFun Foods, says: “With rising domestic and global demand, Budget 2026 presents a strong opportunity to accelerate India’s food processing ecosystem through well-designed, outcome-linked policy support. Measures such as PLI (Production Linked Incentive) schemes for large-scale processors, export-oriented incentives, investments in cold-chain infrastructure, and support for backward integration can strengthen supply chains from farm to factory, attract greater entrepreneurial participation, and unlock the full potential of sectors such as frozen foods. Collectively, these steps can help India scale its role as a dependable global supplier of value-added food products.”

Threshold of a promising future

India’s food and its allied sector have reached newer heights, not only catering to the domestic market but also exporting globally. However, incidents of adulteration etc, have created an erosion of consumer trust. Also, nutrition deficiency has been a burden to India’s goodwill. This is where Budget 2026-27 can play a pivotal role in enhancing the growth of the food and its allied sector. Budget allocations in food technology to not only enhance better quality food products but also to prevent adulteration etc, upgrading skill development programmes etc. will help the sector to flourish.

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Read online: https://nuffoodsspectrum.in/features/27/23008/can-gst-rationalisation-boost-indias-food-industry.html
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